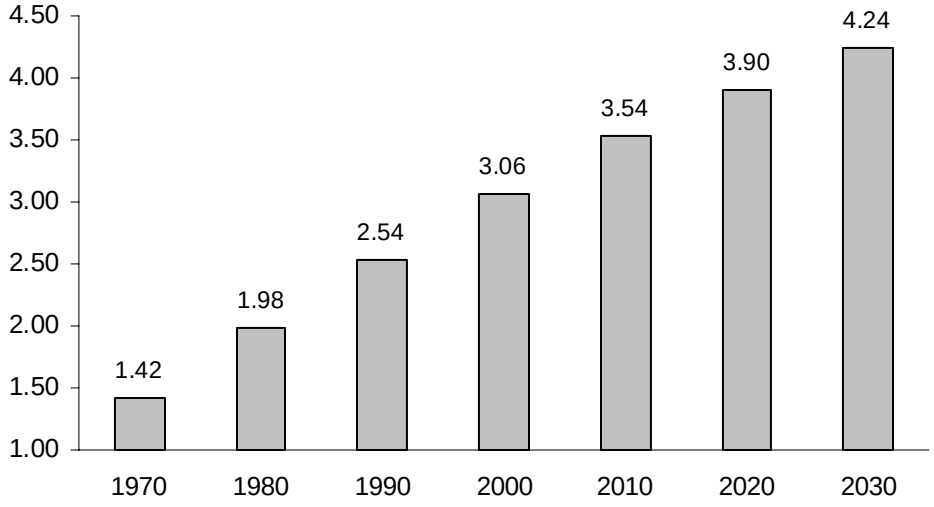
CHAPTER 2

Long-Term Forecast of the Washington Labor Force

BETWEEN 1970 AND 2004, the total labor force* in Washington more than doubled from 1.4 million to 3.2 million. The state is expected to gain an additional one million workers to reach a workforce of 4.2 million by the year 2030.

Washington's labor force expanded rapidly during the 1970s and 1980s, growing at an average annual rate of 3 percent. Growth slowed to an average rate of 1.9 percent during the 1990s, and labor force growth will continue to slow in the future. The state's workforce is expected to increase at a 1.6 percent annual rate from 2005 to 2010, after which the growth rate will decline considerably to an annual average of 0.9 percent between 2010 and 2030. The decline in labor force growth is related to the aging of the population—a national trend caused by lower birth rates and the progression of the baby boom generation through the age distribution. Since labor is a major factor of production, the slowdown in labor force growth will dampen economic growth.

Figure 2-1
Washington Labor Force (millions)



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*As used in this report, the term "labor force" refers to the *civilian non-institutional labor force*, which is composed of individuals age 16 or over who are currently employed (either part-time or full-time) or who are actively seeking 4employment. Individuals who are in nursing homes, prison, or the military (referred to as the institutional population) are not considered to be either in the civilian labor force or part of the base population from which the labor force is drawn. Other individuals who are not in the civilian labor force are those who are not employed *and* not seeking employment. Common reasons for not being in the labor force include retirement, ill health or injury, attending school, or doing housework at home.

Slower population growth and population aging will have important labor market impacts. Employers will be confronted with an increasing labor scarcity and an older workforce. The rapidly growing number of retirees will have to be supported by fewer workers. The racial and ethnic diversity of the workforce will also increase. The size and composition of the Washington labor force is determined by three major factors:

- Natural population changes—aging, births, and deaths.
- Net-migration—the difference in the number of persons entering and leaving the state.
- Labor force participation rates—the proportion of people 16 years of age and older who are employed or seeking employment.

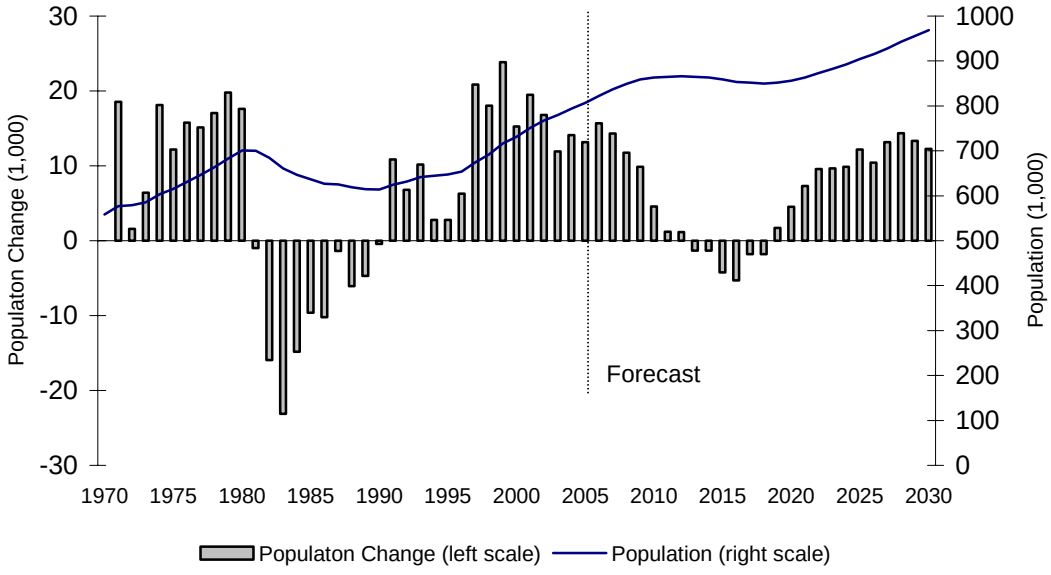
The following sections explore these factors and their implications in shaping the workforce.

Population Change and Labor Force Growth

Population growth directly contributes to the labor pool. From 1970 to 2004, the number of persons 16 years old and over grew at an annual rate of 2.1 percent in Washington, significantly higher than the 1.4 percent annual rate for the nation. As a result, the state's labor force grew 2.4 percent per year between 1970 and 2004, far outpacing the 1.7 percent average growth rate for the U.S. during the same period. Population growth in the state is expected to slow to 1.2 percent per year between 2003 and 2030; and labor force growth is projected to slow to 1.0 percent per year over this period.

People in the 16 to 24 age group account for a majority of new labor market entrants. The state's population in this age cohort actually declined throughout the 1980s (Figure 2-2), due to lower birth rates beginning in the mid-1960s. Consequently, in 1990 this age group accounted for only 16.6 percent of the state labor force, substantially lower than the 35.0 percent share in 1980.

Figure 2-2
Population Estimates and Forecasts for Ages 16-24



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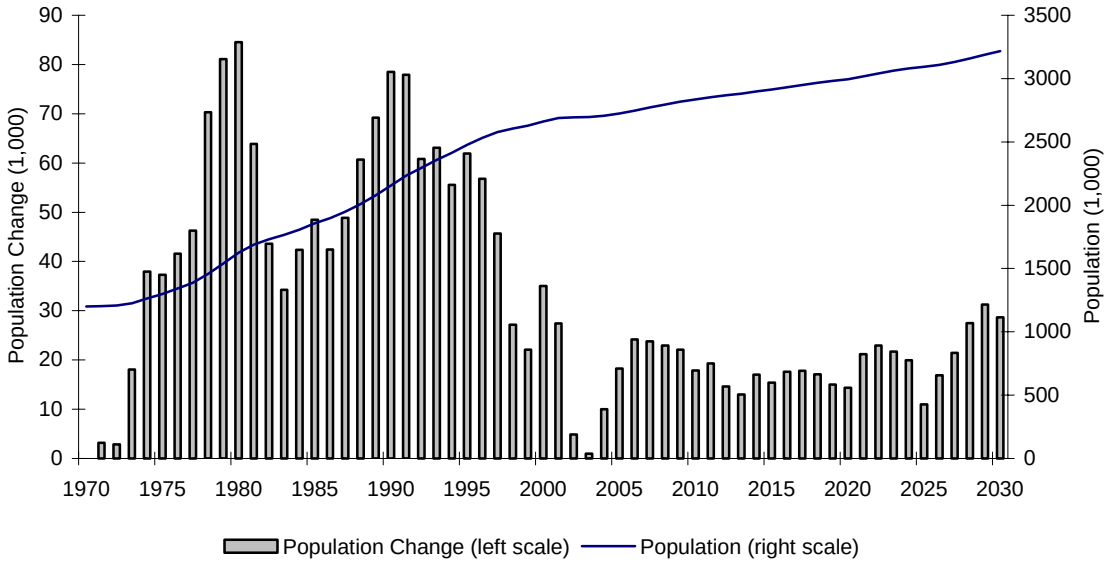
In the early 1990s, the 16 to 24 age group began to grow again, although the pace was initially very slow. Population growth in this age group accelerated in the second half of the 1990s, and this will lead to significant additions of new workers to the state's labor pool in the near term. Growth of this age group, however, will once again slow from 2010 to 2020.

Shifting age structure is a major factor leading to the anticipated slowdown in Washington labor force growth. Over the next 25 years, a large portion of the projected population growth will occur in older age groups with low labor force participation rates, thus depressing total labor force participation and workforce growth. The state's 25 to 54 year old population, the most active labor force participants, grew an average 44,300 persons per year between 1970 and 2004. In contrast, the growth of this age group will drop substantially to an annual average of 19,700 persons over the forecast period (Figure 2-3).

Figure 2-3
Population Estimates and Forecasts for Ages 25-54



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Migration

Migration will moderate the decline in labor force growth; it will not, however, reverse the trend. Migration affects the labor force in two ways: first, it is an important contributor to population change, and thus labor force growth; second, most of the migrants are young workers with a long-term attachment to the labor force. In the past 25 years, net migration in the state averaged 48,100 per year, directly accounting for about 60 percent of state yearly population growth. Net migration for Washington declined during the 1990s, but it is predicted to increase over the next five years, rising from 35,100 persons per year in 2004 to about 63,000 in 2008. (See Chapter 1 of this publication.) Annual migration is then expected to return to it historical average of 48,100 per year.

Net migration is forecasted to increase in the near-term and remain relatively strong in the long-term, because Washington is expected to out-perform the U.S. in growth of traded sector employment, making Washington an attractive place for potential migrants. Growth in

manufacturing employment in Washington is expected to exceed that in the U.S. and California. Manufacturing jobs offer above-average wages and support a variety of other jobs in the economy. Strength in the state's manufacturing sector will help stimulate the demand for labor and thus labor-related in-migration.

Information and professional services will also continue to grow at a healthy pace, and these growing industries recruit from national or international labor pools; thus, their growth is expected to attract labor from outside the state. Historically, Washington has experienced significantly faster employment growth in producer services than the U.S. This is expected to continue with the difference declining. In the last ten years of the forecast period, the producer services sector in Washington is projected to grow at about the same rate as the U.S.

In-migrants have contributed to both the size and quality of the labor force. Migrants coming into Washington tend to have relatively high educational attainments, and many of them are employed in high-skilled jobs. According to data from the 2000 Census, 38 percent of the working-age migrants coming to Washington between 1995 and 2000 had bachelors' degrees or higher, as opposed to 28 percent of adults who were not recent migrants to the state.[1] These recent migrants accounted for high proportions of the workforces in some high-wage sectors during 2000—about 40 percent of the software industry, 25 percent of that for computer and electronics manufacture, and 20 percent of that for professional and technical services workforces.

There have also been an increasing number of migrants over age 65 to Washington. Migration decisions of senior citizens are mainly determined by quality of life, amenities, and services available at the destination places. Senior migrants affect the state labor market differently than job-related migrants. They do not compete for job opportunities, but their assets and incomes contribute to the local economy and the demand for labor. Senior citizens are intensive users of public and private services, thus stimulating employment growth in these sectors. Nationwide, people over 65 years old will increase significantly throughout the forecast period, suggesting that a growing portion of in-migrants will be retired or the elderly.

As a result of these economic and non-economic forces, net-migration between 2005 and 2030 is expected to total 1.27 million persons, averaging about 50,800 per year.

Changes in Labor Force Participation

Labor force participation rates in Washington State historically have been higher than the national average, due in large part to a higher concentration of young people who are active labor market participants. From 1970 to 2004, the state's aggregate labor force participation rate increased from 61.5 percent to 67.8 percent. During this period, the male labor force participation rate gradually declined, while the female labor force participation rate rose considerably. Higher participation rates added to labor force growth and helped to raise per capita income, as the number of earners relative to non-earners increased.

[1] These estimates are based on data for Washington from the 2000 Census Public Use Microdata Sample. Recent working-age migrants are defined as those adults, ages 25 to 64, who resided outside the state in 1995. They include both domestic and international migrants. Note that the educational attainment of foreign-born migrants is mixed. Although 36 percent of the foreign-born migrants had bachelors' degrees, a quarter had not completed high school.

The trend will reverse, however, and the labor force participation rate in the state is projected to decrease from 68.0 percent in 2005 to 64.1 percent by 2030. The decline is due mainly to population aging. Basically, for both males and females, labor force participation is highest between the ages of 20 and 54, lower for ages 16 to 19 and ages 55 to 64, and very low for persons age 65 and over. Changes in age structure will lower the aggregate labor force participation rate.

After 2010, the proportion of the state population in the older age groups will increase substantially. The elderly (age 65+) as a share of the total state population will increase from 12 percent in 2010 to 20 percent in 2030. This has a significant dampening effect on the labor force growth since the elderly have much lower labor force participation rates. If the population in 2030 were assumed to have the same age structure as in 2010, the aggregate labor force participation rate for that year would be 70 percent, instead of the projected 64 percent. In other words, aging of the population alone depresses the state labor force participation rate by 6 percentage points.

Table 2-1 shows a comparison of the 2000 Washington labor force and labor force participation rates by age and sex, with the corresponding forecast for 2030.

Table 2-1
Washington Labor Force by Age and Sex, 2000 and 2030

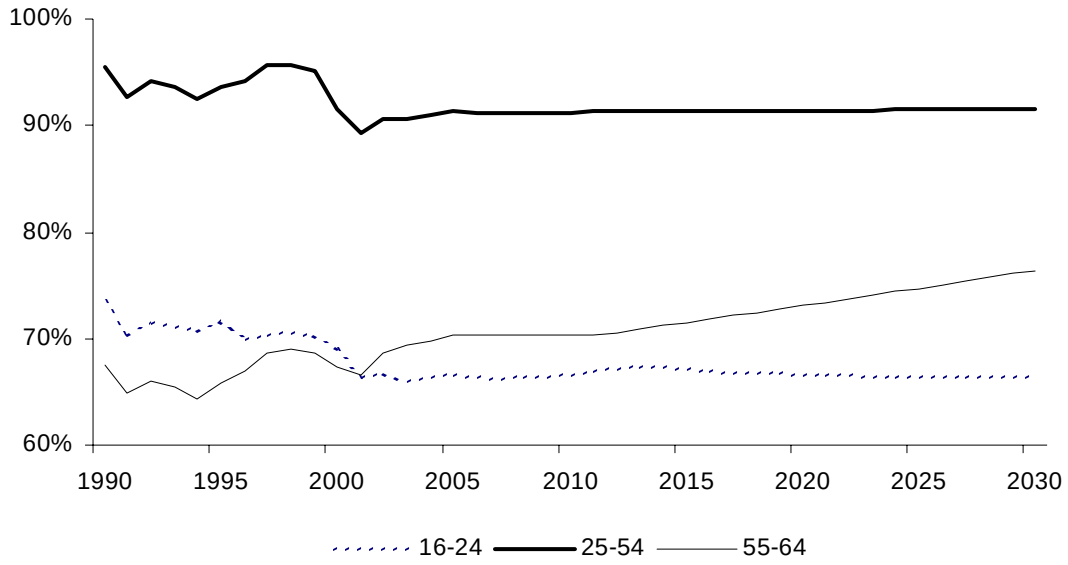
	Labor Force				Labor Force Participation Rate		
			2000-2030				2000-2030
Age	2000	2030	Net Additions	Percent Change	2000	2030	Percentage Pt. Difference
All							
16-24	483,824	624,787	140,962	29.1%	68.0%	66.3%	-1.7%
25-54	2,192,869	2,696,094	503,225	22.9%	83.9%	85.3%	1.4%
55-64	300,003	656,786	356,783	118.9%	60.0%	73.2%	13.2%
65+	79,093	261,509	182,417	230.6%	12.3%	16.3%	3.9%
Total	3,055,789	4,239,176	1,183,386	38.7%	68.4%	64.1%	-4.3%
Male							
16-24	246,836	313,181	66,345	26.9%	69.0%	66.5%	-2.5%
25-54	1,185,590	1,451,287	265,697	22.4%	91.5%	91.5%	0.0%
55-64	166,914	343,665	176,750	105.9%	67.4%	76.4%	9.0%
65+	44,549	153,154	108,604	243.8%	16.1%	20.9%	4.7%
Total Male	1,643,889	2,261,287	617,398	37.6%	75.5%	69.8%	-5.7%
Female							
16-24	236,988	311,605	74,617	31.5%	67.0%	66.2%	-0.8%
25-54	1,007,279	1,244,807	237,527	23.6%	76.4%	79.0%	2.6%
55-64	133,089	313,121	180,032	135.3%	52.8%	70.0%	17.2%
65+	34,544	108,356	73,812	213.7%	9.5%	12.4%	2.9%
Total Female	1,411,900	1,977,889	565,989	40.1%	61.7%	58.7%	-3.0%

Male Labor Force Participation

The total male labor force participation rate has declined slightly in the past two decades, due primarily to early retirements. Improved retirement options, generous public and private pension systems and social insurance programs (Social Security, Medicare, and employer-provided health insurance) have led to a decline in the labor force participation rates of older men. Increases in the wealth and asset incomes of senior citizens have also contributed to earlier retirement. Nationally, the labor force participation rate of men age 55 to 64 years old dropped from 82.9 percent in 1970 to 68.7 percent in 2004. This trend is expected to reverse.

In the future, many older workers will choose to stay in the workforce longer, and delayed retirement will offset some of the drag exerted by population aging and the slowdown in labor force growth. Some older workers will lack the economic resources necessary to maintain a desired retirement lifestyle. This will be especially true considering possible retrenchments in Social Security and Medicare benefit programs. Several factors will allow more workers to postpone retirement. Life expectancy has increased over the past 30 years and physical limitations are not generally barriers to working until people reach their mid-70s. Moreover, the share of workers in physically demanding jobs has declined. Changes to Social Security, such as the increase in the retirement age and the elimination of the earnings test for those age 65 and older, should induce workers to postpone retirement. The movement toward defined contribution pension schemes (such as 401(k) plans) and away from defined benefit plans will also reduce disincentives to working at older ages. Defined benefit plans provide the most benefits when taken at the earliest age of eligibility, and they penalize working beyond that age. These considerations have been incorporated into the present labor force forecasts for the state. The labor force participation rate of men age 55 and older is projected to rise.

Figure 2-4a
Washington Male Labor Force Participation Rates (Age 16-64)



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Higher educational attainments will also contribute to the expected rise in labor force participation rates of those over age 65 (Figure 2-4b). Table 2-2 shows that educational achievement is a significant factor in determining the work status of the elderly. The table also shows that individuals aged 40 to 44 in 2000 tended to have higher educational attainments than did those aged 65 to 69. These people will also have a much higher labor force participation rate in 2025 than does the comparable cohort today. Higher educational attainments make it easier for older persons to stay in the labor force. Well-educated persons are more likely to obtain and remain with (white-collar) jobs that demand less physical strength, provide better compensations and more flexible working schedules than those less-educated.

Figure 2-4b
Washington Male Labor Force Participation Rate (Age 65+)

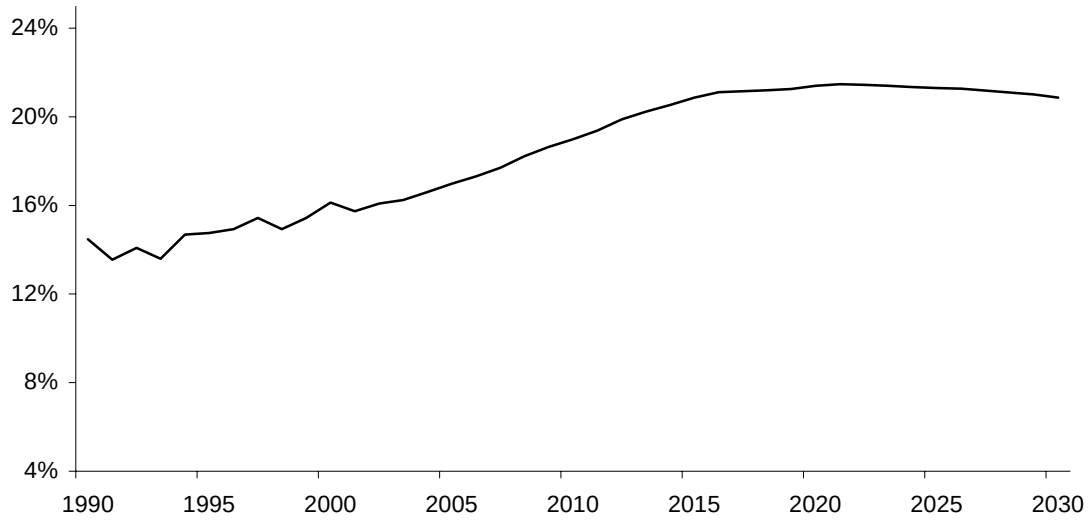

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Table 2-2
Elderly Labor Force Participation and Education: Washington, 2000

Schooling Completed	Age 65-69 Labor Force Participation Rate	Share of Age 65-69 Population	Share of Age 40-44 Population
1-9 grades	15.1%	8.6%	4.0%
10-12 grades	13.1%	9.5%	6.2%
High school graduate	17.6%	30.5%	23.8%
Some college/Associate	22.1%	26.1%	38.8%
BA and higher	27.6%	25.2%	27.2%
Total	20.6%	100.0%	100.0%

Source: 2000 Census PUMS data file.

Female Labor Force Participation

One of the most significant labor market phenomena in the twentieth century is the increase of women in the workforce. Nationwide, the female labor force participation rate increased from 33.8 percent in 1950 to 59.2 percent in 2004. As a result, the gap between male and female labor force participation rates has narrowed substantially over the past five decades. In 1950, the male labor force participation rate was 53 percentage points higher than the female rate; by 2004, the gap shrank to 14 percentage points. Indeed, the general orientation toward work and the overall attachment to the labor force are roughly comparable for young men and women today.

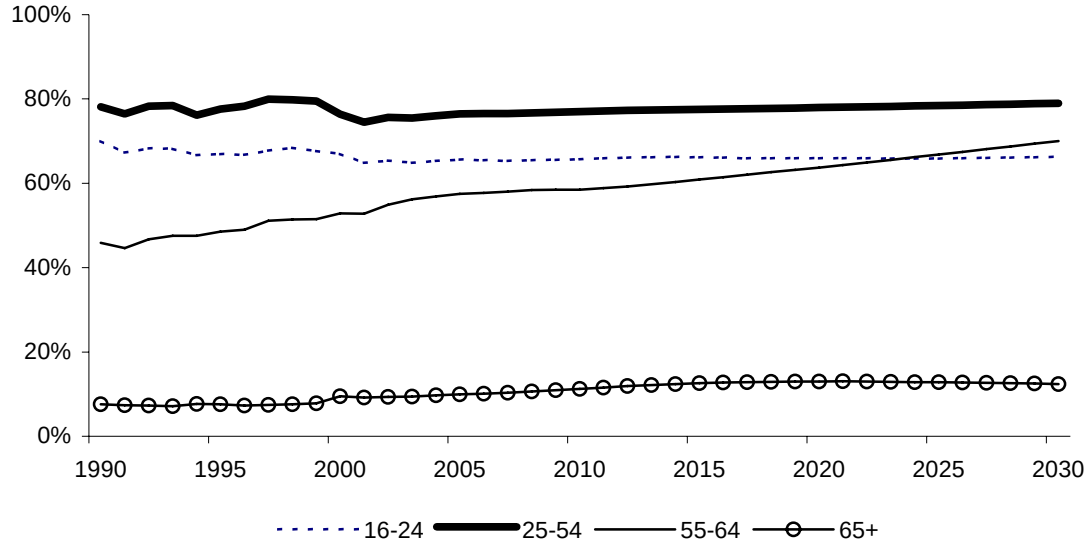
Several factors have contributed to the rise in female labor force participation—increasing levels of educational attainment, delayed marriage and childbearing, changing gender roles, availability of market substitutes for housework, and changing technologies and industrial mixes that reduce the demand for physical labor. Declining real wages in the past three decades also have contributed. In many households, a second income was needed to help offset the loss in real earnings of male householders.

During the past three decades, increasing numbers of women entered the labor market, and the female share of Washington's labor force increased from 40 percent in 1975 to over 46 percent by 2000. The largest gains in female participation have already occurred, however, and the female labor force share is expected to remain stable over the next 25 years. Women still bear a disproportionate share of childrearing and housework responsibilities. As a result, most women will continue to experience more frequent and longer spells away from work than men. This suggests that female labor force participation will not reach male rates in the near future. Still, women will account for almost half of "net additions" to the labor force between 2000 and 2030. "Net addition" is the difference between the number of labor force entrants and the number leaving the labor market. Furthermore, as labor force growth slows over the next few decades, employers will increasingly look to women as an important source of labor.

The continued importance of women as a source of labor will motivate employers to provide benefit programs, such as on-site childcare and flexible work schedules, that accommodate the needs of female workers. For employers, these work-life benefit programs will be critical to their ability to attract qualified employees and to raise the productivity of their female workers.

In Washington State, the overall workforce participation rate of women is expected to decline in the future, as a large proportion of the population moves into the age groups with low labor attachment. The rate is expected to drop to 58.7 percent by 2030.

Figure 2-5
Washington Female Labor Force Participation Rates



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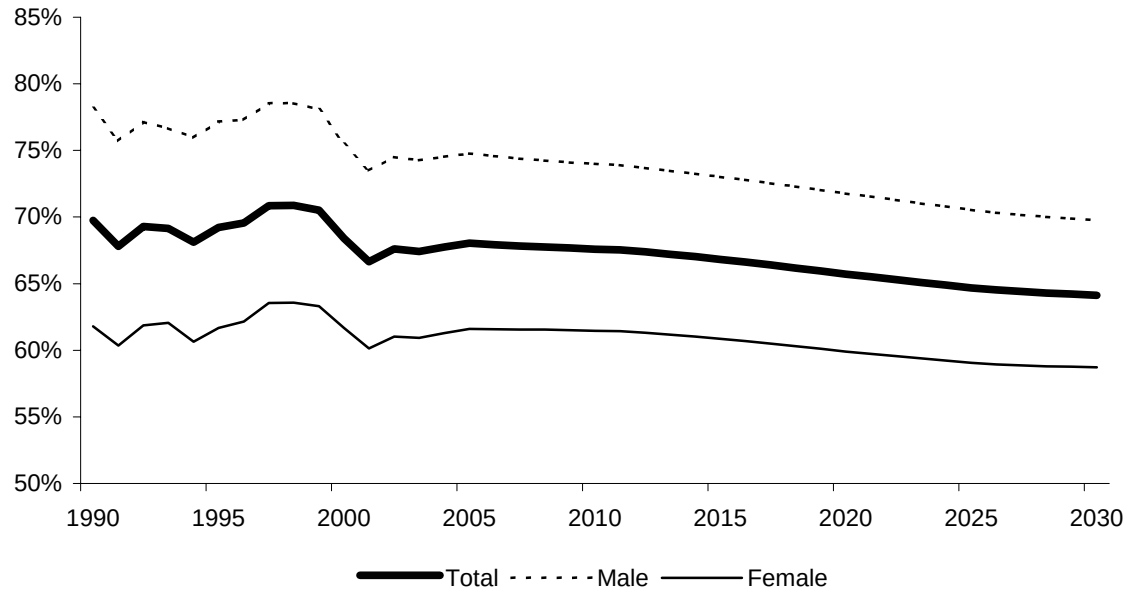
As discussed above, changes in the male and female labor force participation rates vary by age and sex. Together, the state total labor force participation rate is anticipated to gradually decline from 68.0 percent in 2005 to 64.1 percent by 2030.

Figure 2-6
Forecast of Washington Labor Force Participation Rates by Sex



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Forecast of Total Labor Force

The average annual growth rate of Washington's labor force declined over the past three decades, falling from 3.4 percent during the 1970s to 1.9 percent in the 1990s. Projected changes in labor force participation rates, net migration, natural population increase, and aging of the population will continue to slow the state's labor force growth, especially after the Baby Boom generation reaches retirement age toward the end of this decade. (See Tables 2-3 and 2-4.)

Table 2-3
Washington Labor Force Change

	Changes in Labor Force		
Decade	Number (1,000s)	Percent Change (%)	Average Annual Growth (%)
1950-1960	149.8	15.9	5.5
1960-1970	320.1	29.4	2.6
1970-1980	567.5	40.0	3.4
1980-1990	554.4	27.9	2.5
1990-2000	516.8	20.4	1.9
Forecast			
2000-2010	487.1	15.9	1.5
2010-2020	360.5	10.2	1.0
2020-2030	335.8	8.6	0.8

Slower labor force growth will make it more difficult for firms to recruit workers during periods of strong economic growth. Changing immigration policies offers an option for moderating potential labor scarcities. Permitting more immigration would increase the working age population, reduce the burden of supporting the elderly, and ameliorate the problems associated with aging. Firms will also have to invest more in labor-saving equipment and technology and continue efforts aimed at keeping women and older workers in the labor market.

While the Washington labor force will increase at a relatively slow pace over the next 25 years, the growth of the U.S. labor force is expected to be even more sluggish. The major reason for the difference between Washington and U.S. labor force growth is population growth. Between 2004 and 2030, Washington's population 16 years old and over is expected to grow at an annual average rate of 1.2 percent, while the comparable population in the nation is projected to increase only 0.8 percent per year. The difference is mainly attributed to the state's continuing ability to attract immigrants from other states and from overseas.

Table 2-4

Washington Labor Force: Historical and Forecast

		Civilian Non-Institutional Population			Labor Force			Labor Force Participation Rate		
Year	Total Population	Total 16 & Over	Male 16 & Over	Female 16 & Over	Total	Male	Female	Total	Male	Female
1980	4,132,200	3,061,000	1,479,700	1,581,200	1,984,600	1,157,200	827,400	64.8	78.2	52.3
1981	4,229,300	3,128,100	1,511,000	1,617,100	1,996,800	1,158,300	838,500	63.8	76.7	51.9
1982	4,276,500	3,166,500	1,530,300	1,636,100	2,024,500	1,160,700	863,700	63.9	75.8	52.8
1983	4,307,200	3,193,200	1,541,600	1,651,600	2,068,400	1,174,300	894,100	64.8	76.2	54.1
1984	4,354,100	3,234,100	1,561,100	1,672,900	2,050,400	1,169,300	881,100	63.4	74.9	52.7
1985	4,415,800	3,282,600	1,584,800	1,697,900	2,090,400	1,181,800	908,600	63.7	74.6	53.5
1986	4,462,200	3,330,300	1,608,900	1,721,400	2,198,500	1,220,700	977,800	66.0	75.9	56.8
1987	4,527,100	3,388,600	1,637,100	1,751,500	2,257,500	1,234,400	1,023,200	66.6	75.4	58.4
1988	4,616,900	3,454,300	1,667,800	1,786,500	2,315,800	1,247,100	1,068,700	67.0	74.8	59.8
1989	4,728,100	3,537,000	1,708,400	1,828,600	2,450,900	1,356,000	1,094,900	69.3	79.4	59.9
1990	4,866,700	3,640,900	1,763,600	1,877,300	2,539,000	1,378,900	1,160,100	69.7	78.2	61.8
1991	5,021,300	3,739,700	1,813,400	1,926,300	2,535,900	1,373,100	1,162,800	67.8	75.7	60.4
1992	5,141,200	3,824,600	1,856,900	1,967,700	2,649,600	1,432,500	1,217,100	69.3	77.1	61.9
1993	5,265,700	3,912,800	1,903,000	2,009,800	2,705,900	1,458,700	1,247,200	69.2	76.7	62.1
1994	5,364,300	3,988,200	1,940,800	2,047,400	2,716,000	1,474,400	1,241,600	68.1	76.0	60.6
1995	5,470,100	4,069,700	1,981,700	2,088,000	2,817,200	1,529,200	1,288,000	69.2	77.2	61.7
1996	5,567,800	4,151,200	2,022,300	2,129,000	2,887,000	1,563,600	1,323,500	69.5	77.3	62.2
1997	5,663,800	4,232,200	2,062,700	2,169,400	2,998,900	1,620,100	1,378,700	70.9	78.5	63.6
1998	5,750,000	4,310,600	2,103,900	2,206,800	3,055,700	1,652,600	1,403,100	70.9	78.5	63.6
1999	5,830,800	4,387,700	2,143,700	2,244,000	3,094,300	1,673,800	1,420,500	70.5	78.1	63.3
2000	5,894,100	4,467,100	2,177,900	2,289,200	3,055,800	1,643,900	1,411,900	68.4	75.5	61.7
2001	5,974,900	4,537,600	2,212,900	2,324,800	3,024,200	1,626,100	1,398,100	66.6	73.5	60.1
2002	6,041,700	4,599,900	2,243,300	2,356,600	3,109,500	1,671,100	1,438,400	67.6	74.5	61.0
2003	6,098,300	4,656,700	2,270,400	2,386,300	3,139,900	1,686,000	1,453,900	67.4	74.3	60.9
2004	6,167,800	4,729,700	2,308,200	2,421,600	3,204,500	1,720,200	1,484,300	67.8	74.5	61.3
Forecast										
2005	6,256,900	4,811,900	2,349,700	2,462,100	3,273,800	1,756,900	1,516,900	68.0	74.8	61.6
2010	6,748,700	5,241,400	2,566,500	2,675,000	3,542,900	1,898,900	1,644,100	67.6	74.0	61.5
2015	7,201,400	5,599,400	2,745,000	2,854,400	3,741,400	2,004,500	1,736,800	66.8	73.0	60.8
2020	7,643,300	5,939,700	2,913,000	3,026,700	3,903,400	2,090,500	1,812,900	65.7	71.8	59.9
2025	8,064,700	6,279,500	3,079,400	3,200,100	4,062,100	2,172,000	1,890,100	64.7	70.5	59.1
2030	8,455,100	6,609,800	3,241,200	3,368,500	4,239,200	2,261,300	1,977,900	64.1	69.8	58.7

Notes:
Total population is based on the November 2004 official Office of Financial Management population estimates and forecasts.
Total population estimates and forecasts are for April 1 of each year.
Estimates/forecasts of civilian non-institutional population, labor force, and labor force participation rate are "annual average" measurements.
Projection of the civilian non-institutional population is based on 2000 proportion of the male and female Washington population participating in the military or residing in prisons, nursing homes, and other institutions.
Labor force participation rates represent the proportion of the civilian non-institutional population that is employed or unemployed based on federal Bureau of Labor Statistics definitions.

The Changing Profile: Aging and Racial and Ethnic Diversity

Changes in labor force participation, combined with demographic changes (births, deaths, aging, and migration), will alter the composition of the Washington labor force. The forecast suggests that the state population and workforce will become older and more racially and ethnically diverse.

Population Aging

Washington's population will age rapidly over then next three decades. The state's elderly population, age 65 and older, is expected to grow from 662,000 (or 11 percent of the population) in 2000 to 1.65 million (or 20 percent of the population) in 2030. A major concern is that the leading edge of the baby boom will reach age 62 in 2008, and a rapidly growing retiree population will have to be supported by a labor force that will grow relatively slowly. In 2000, there were 4.5 workers in Washington for every person over age 65. This ratio is predicted to drop to 2.4 workers per elderly population by 2030.

Aging will also place considerable pressure on public and private pension plans, raising concerns about the Social Security trust fund and the size of corporate pension liabilities. At the federal level, these pressures may make it necessary to increase Social Security taxes and/or reduce benefits. In both the public and private sectors, demographic pressures have encouraged the shift away from defined benefit pension plans to defined contribution plans.

Rising health care costs have contributed to the fiscal difficulties facing federal and state governments and have increased labor costs in the private sector. Health care costs have been driven by technological innovations—new procedures, equipment, tests, and drugs—and future cost increases will be greatly affected by advancements in biomedical technologies. Population aging, however, will compound the problem.

The incidence of many chronic medical conditions (e.g., heart disease, hypertension, diabetes) increases with age, and the nation spends on a per capita basis over four times more on health care for seniors than for those under age 65. Simulations suggest, however, that aging of the U.S. population will add only about half a percentage point to total annual growth in health care spending—note that health care spending is projected to grow by more than 7 percent annually over the next decade.[2] Again, most of the spending growth is due to other factors, such as new medical technologies and health care worker shortages. Supply-side impacts on medical costs, arising from slower labor force growth, could be more important. Health care is labor-intensive and labor scarcity would cause costs to rise. Health care providers will have to find ways to employ more labor-saving technologies, such as making more intensive use of information technology.

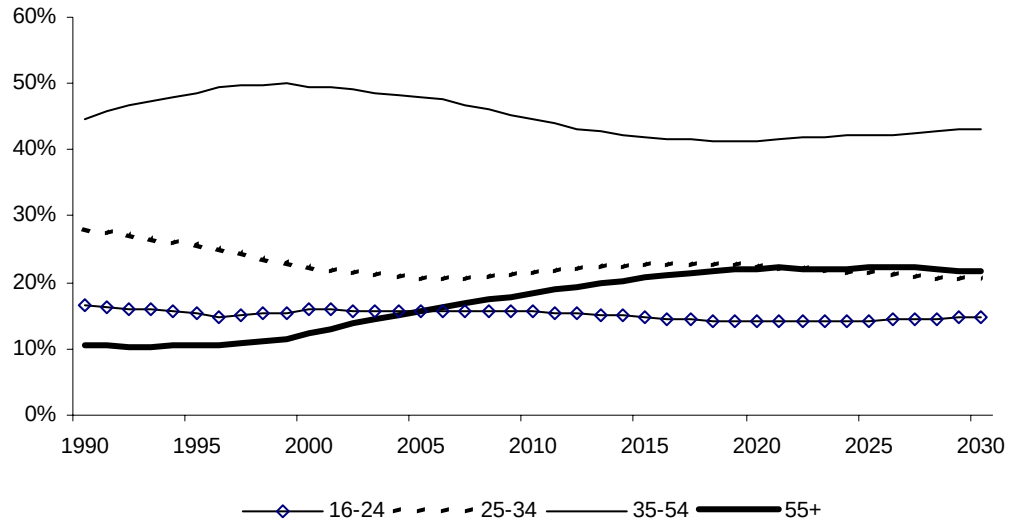
Aging of the Labor Force

In addition to the number of retirees increasing dramatically, the age composition of those remaining in the workforce will also change. Between 2004 and 2030, the number of Washington workers over 55 years old will increase by about 89 percent, while those aged 16 to

[2] See Uwe Reinhardt, "Does the Aging of the Population Really Drive the Demand for Health Care?" *Health Affairs*, 22(6), November/December 2003.

54 will increase by only 22 percent. Consequently, the age silhouette of the state labor force in 2030 will be very different from that of today. Older workers (55 years and older) are projected to represent about 22 percent of all Washington labor force in 2030, substantially higher than the 15 percent share in 2004 (Figure 2-7).

Figure 2-7
Age Profile of Washington Labor Force



OFFICE OF FINANCIAL MANAGEMENT, Forecasting Division
EMPLOYMENT SECURITY DEPARTMENT, Labor Market and Economic Analysis Branch **APRIL 2005**

A high proportion of part-time and temporary working arrangements characterize the elderly workforce. Today, many old workers voluntarily hold part-time jobs, and relatively few of them would prefer full-time employment. Also, a majority of the elderly workers perceive their current work as temporary, indicating their readiness to change jobs or exit the labor market for retirement.

The aging of the workforce will present unique challenges to employers. Businesses will need management and personnel practices that can effectively accommodate older employees. Among the challenges will be:

- Establishing new reward and incentive structures as traditional hierarchical promotional opportunities decline.
- Planning and implementing human resource management to accommodate less predictable retirement age and exits and re-entries of elderly workers.
- Meeting varied demand for employee benefits, such as elderly workers' preference for long-term care.
- Dealing with increased pressures on retirement systems.

One area concern to employers is the rising cost of retiree health care benefits. Many firms are already cutting back on these benefits, and more will do so as the number of retirees grows dramatically. According to a recent survey of firms, 22 percent of employers that currently offer

retiree health care benefits expect to eliminate coverage for future retirees, and 82 percent will say they will increase retiree premiums and copayments.[3]

Non-White and Hispanic Workforce

The workforce will become more racially and ethnically diverse. Labor force growth rates of Asian, African, and other non-white Americans are expected to be considerably higher than that for whites. In 1980, 6.2 percent of the Washington labor force was non-white; in 2000, the share increased to 12.2 percent. From 2000 to 2030, the non-white labor force is expected to grow at a 2.1 percent annual rate, compared to a 0.9 percent annual rate for the white labor force. Non-white workers will account for 26 percent of the state's net labor force growth between 2005 and 2030, and the non-white labor force share is expected to reach 16.2 percent by 2030. Table 2-5 shows the changing racial composition of the state labor force.

The main reason for an increasing share of non-whites in the labor force is that the non-white population is expected to grow at a much higher rate than the white population. A second factor is the younger age composition of the non-white population compared to whites. Non-whites are also expected to continue increasing their labor force participation rates.

Another important labor trend, in the state and nationwide, is ethnic diversification. Between 2005 and 2030, workers of Hispanic origin in the state will more than double from 235,100 to 551,800. As a result, Hispanics will account for 13 percent of the Washington labor force by 2030.

Table 2-5
Labor Force Composition by Race: Washington

Year	Total Labor Force (1000s)	Share of Total Labor Force				
		White	African American	Asian & Other	Total Non-White	Hispanic
1990	2,539.0	91.5%	2.7%	5.7%	8.5%	3.8%
1995	2,817.2	89.3%	3.1%	7.6%	10.7%	7.1%
2000	3,055.8	87.8%	3.0%	9.1%	12.2%	6.3%
2005	3,273.8	86.8%	3.1%	10.1%	13.2%	7.2%
2010	3,542.9	85.8%	3.2%	10.9%	14.2%	8.3%
2015	3,741.4	84.9%	3.3%	11.7%	15.1%	9.5%
2020	3,903.4	84.2%	3.4%	12.4%	15.8%	10.8%
2025	4,062.1	84.0%	3.4%	12.6%	16.0%	11.6%
2030	4,239.2	83.8%	3.4%	12.7%	16.2%	13.0%

The trend toward racial and ethnic diversification poses a critical issue in the effort to elevate worker skills in the future. Today, the average education level of African American workers of every age cohort is far below their white counterparts. The gap has been narrowing, but at a slow pace. The gap for Hispanic workers is even greater. In 2000, only 53 percent of the Washington Hispanic population 25 years or older completed high school or equivalency, compared to 90 percent for the non-Hispanic white persons in the same age group. As future economic growth relies more and more on productivity improvement, raising the education levels of these fast-growing racial and ethnic minorities becomes a major policy concern.

[3] The Kaiser Family Foundation and Hewitt Associates conducted the survey in 2002.